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# Veterans' Bond Act of 1996.

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## **Veterans' Bond Act of 1996.**

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### **Official Title and Summary Prepared by the Attorney General**

#### **VETERANS' BOND ACT OF 1996.**

- This act provides for a bond issue of four hundred million dollars (\$400,000,000) to provide farm and home aid for California veterans.
- Costs offset by payments from participating veterans.

#### **Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:**

- General Fund costs of about \$700 million to pay off both the principal (\$400 million) and interest (about \$300 million) on the bonds; costs offset by payments from participating veterans.
- Average payment for principal and interest of about \$28 million per year for 25 years.

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#### **Final Votes Cast by the Legislature on SB 852 (Proposition 206)**

Assembly: Ayes 74	Senate: Ayes 29
Noes 0	Noes 0

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## **Analysis by the Legislative Analyst**

### **BACKGROUND**

Since 1921, the voters have approved a total of about 1.5 billion of general obligation bond sales to finance the veterans' farm and home purchase (Cal-Vet) program. As of July 1996, there was about \$250 million remaining from these funds. General obligation bonds are backed by the state, meaning that the state is obligated to pay the principal and interest costs on these bonds.

The money from these bond sales is used by the Department of Veterans Affairs to purchase farms, homes, and mobilehomes which are then resold to California veterans. Each participating veteran makes monthly payments to the department. These payments are in an amount sufficient to (1) reimburse the department for its costs in purchasing the farm, home, or mobilehome, (2) cover all costs resulting from the sale of the bonds, including interest on the bonds, and (3) cover the costs of operating the program.

### **PROPOSAL**

This measure authorizes the state to sell \$400 million in general obligation bonds for the Cal-Vet program. The Department of Veterans Affairs advises that these bonds would provide sufficient funds to enable at least 2,000 additional veterans to receive loans.

### **FISCAL EFFECT**

The bonds authorized by this measure would be paid off over a period of about 25 years. If the \$400 million in bonds were sold at an interest rate of 6 percent, the cost would be about \$700 million to pay off both the principal (\$400 million) and interest (\$300 million). The average payment for principal and interest would be about \$28 million per year.

Throughout its history, the Cal-Vet program has been totally supported by the participating veterans, at no direct cost to the taxpayer. However, if the payments made by those veterans participating in the program do not fully cover the principal and interest payments on the bonds, the state's taxpayers would pay the difference.

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**For text of Proposition 206 see page 87**

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### Argument in Favor of Proposition 206

Since 1921 grateful voters of California have consistently supported the Cal-Vet farm and home loan program. It is entirely self-supporting, and it is a financially sound way to assist wartime veteran men and women when they return to civilian life.

Voter-approved general obligation bonds finance the program and are repaid, along with *all* related administrative costs, by the veteran loan holders. The Cal-Vet program does not cost the general taxpayer one thin dime.

In its 75 years of operation more than 405,000 California wartime veterans have financed farms and homes. The Cal-Vet program is an appropriate expression of our appreciation and thanks for the sacrifices of United States veteran men and women who have served this Nation during wartime. In addition to helping veterans, Cal-Vet farm and home loans generate thousands of jobs and millions of dollars in annual payrolls.

The last Cal-Vet bond measure appeared on the 1990 ballot and received strong voter support. Proposition 206 is needed now to ensure that the highly successful Cal-Vet program will be able to meet the future needs of wartime veterans. The act was placed on the ballot with no negative votes—passing the Senate 37-0 and 72-0 in the Assembly.

We ask you to vote *FOR* Proposition 206, the Veterans' Bond Act of 1996. Your approval will enable California wartime veterans to purchase homes and farms here with low interest rates and at no cost to you. We should do no less for our more than 3 million veteran men and women.

**DON ROGERS**

*State Senator, 17th District*

**JIM MORRISSEY**

*Assemblyman, 69th District*

**GRAY DAVIS**

*Lieutenant Governor, State of California*

### Rebuttal to Argument in Favor of Proposition 206

We agree that the Cal-Vet program has been financially self-supporting—so far. But California's real estate market isn't what it used to be. Foreclosures are at an all time high. If participating veterans default on their loans, taxpayers have to pay.

Proponents argue that Cal-Vet loans generate thousands of jobs and millions of dollars in annual payrolls. Where? Maybe in the government department that administers the program! If so, let's eliminate these jobs and payrolls, and save the taxpayers even more. If the proponents are talking about jobs and payroll in the housing industry, they'll have to prove it. A booming housing market may have been the norm after World War II, but now there are more houses for sale than people are willing or able to buy.

California's economy can be revived by cutting back government, reducing taxes, and eliminating agencies and regulations that put burdens on businesses. People

would have more money in their pockets if taxes were lower and government were smaller. Then they could qualify for a home loan without the aid of government programs. Proposition 206 won't do any of this. Since it duplicates the federal VA home loan program, Cal-Vet is merely another unnecessary government program.

We appreciate the sacrifices made by our veterans, but it's obvious they are recognized with benefits from the federal government. When a state decides it must also provide veterans' benefits, it's clear the program is designed to gain votes for pork-barrel politicians. Please vote NO.

**JON PETERSEN**

*Treasurer, Libertarian Party of California*

**JOSEPH B. MILLER**

*Retired Air Force Officer, Sacramento*

**TED BROWN**

*Insurance Adjuster/Investigator, Pasadena*

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**Argument Against Proposition 206**

California's government has far too many special-interest programs. The Cal-Vet program was established after World War I to help veterans buy homes. Since a large number of Californians stood to benefit from that program, politicians were only too happy to adopt it.

The Legislative Analyst tells us that the Cal-Vet program costs taxpayers nothing. However, if the payments made by participating veterans do not fully cover the principal and interest payments on the bonds, the taxpayers would have to pay the difference.

Unfortunately, California's real estate boom ended a few years ago. Back in the 1980s people could turn big profits on their homes. Not anymore. The economy has grown worse, allowing fewer Californians to buy homes. In both Los Angeles and Orange Counties, only 15 percent of residents can afford the median priced home. Bank foreclosures on properties are at an all-time high. Proposition 206 will tell wannabe homeowners that their taxes will subsidize Cal-Vet loans.

Veterans, especially those who served in combat situations, deserve our appreciation. In fact, the federal government provides extensive veterans' benefits. The Department of Veterans Affairs is a Cabinet department the same as the Treasury and Justice Departments. One

veterans' benefit is the VA home-loan program. We don't need an expensive duplicate program at the state level.

Proposition 206 seems unnecessary as well. Currently many lenders are offering home loans with as little as 3% or 5% down for buyers with good credit. Veterans, along with everyone else, can apply. If a veteran's credit isn't good enough to qualify with a regular lender, then maybe he or she is too great a risk for the taxpayers. Prop. 206 makes every one of us a co-signer to veterans' housing loans. With any home loan, if the homeowner can't pay, the lender is left holding the bag.

It's a matter of fairness. The government should not play favorites and give special privileges to veterans. The current poor state of California's real estate market suggests that many veterans will default on these loans. Then we all have to pay.

Vote NO on Proposition 206.

**JOSEPH B. MILLER**

*Retired Air Force Officer, Sacramento*

**WILLARD MICHLIN**

*Real Estate Broker, Glendale*

**TED BROWN**

*Member, State Executive Committee,  
Libertarian Party of California*

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**Rebuttal to Argument Against Proposition 206**

Please don't be misled by the erroneous statements made by the opponents to the Veterans Bond measure.

This highly successful program to assist California's wartime veterans to purchase farms and homes has never cost California taxpayers *one cent* since it began in the early 1920s.

The Cal-Vet program is the only bond act on the ballot that is self-supporting! All costs, including administrative costs, are paid by the veteran borrower. The Cal-Vet program has never been "subsidized" by California taxpayers. Those veterans eligible for loans

are screened for ability to pay and must qualify for a loan just like any home buyer.

Please put aside the smokescreen of "gloom and doom" and vote *FOR* Proposition 206. By doing so you show that you are standing firm for our wartime veterans when they stood firm for us.

**DON ROGERS**

*State Senator, 17th District*

**JIM MORRISSEY**

*Assemblyman, 69th District*

**GRAY DAVIS**

*Lieutenant Governor, State of California*

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1995, but prior to the enactment of this title, remain eligible to receive state matching funds.

(e) Counties that contract with private providers for treatment or other services for offenders are eligible to apply for moneys from the fund.

4498.6. (a) The Youthful and Adult Offender Local Facilities Financing Authority is hereby created in the Board of Corrections. The composition of the authority shall be notified in future legislation. The authority shall evaluate plans prepared pursuant to paragraph (2) of subdivision (c) of Section 4498.4 and paragraph (2) of subdivision (c) of Section 4498.5, approve funding, and administer funds appropriated as specified in subdivision (c) of Section 4498.4 and subdivision (c) of Section 4498.5. Staff support to the authority shall be performed by existing Board of Corrections staff. In addition, the authority may allocate any state and federal juvenile justice grant funds that are appropriated to it by the Legislature.

(b) The Board of Corrections shall not be deemed a responsible agency, as defined in Section 21069 of the Public Resources Code, or otherwise be subject to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) for any activities undertaken or funded pursuant to this title. This subdivision does not exempt any local agency from the requirements of the California Environmental Quality Act.

4498.7. Money in the funds may only be expended for projects specified in this title as allocated in appropriations made by the Legislature.

#### CHAPTER 3. FISCAL PROVISIONS

4498.8. Bonds in the total amount of seven hundred million dollars (\$700,000,000), exclusive of refunding bonds, or so much thereof as is necessary, may be issued and sold to provide funds to be used for carrying out the purposes expressed in this title and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

4498.9. The bonds authorized by this title shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this title and are hereby incorporated in this title as though set forth in full in this title.

4499. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this title, the 1996 Youthful and Adult Offender Local Facilities Bond Finance Committee is hereby created. For purposes of this title, the 1996 Youthful and Adult Offender Local Facilities Bond Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, the Treasurer, the Director of Finance, and the Chair of the Board of Corrections, or their designated representatives. The Treasurer shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the Youthful and Adult Offender Local Facilities Financing Authority in the Board of Corrections is designated the "board."

4499.1. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this title in order to carry out the actions specified in Sections 4498.4 and 4498.5 and, if so, the amount of bonds to be issued and sold. Successive

issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

4499.2. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

4499.3. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this title, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this title, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out the provisions of Section 4499.4, appropriated without regard to fiscal years.

4499.4. For the purposes of carrying out this title, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this title. Any amounts withdrawn shall be deposited in the funds created in Section 4498.3. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest the money would have earned in the Pooled Money Investment Account, from money received from the sale of bonds for the purpose of carrying out this title.

4499.5. All money deposited in the funds that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

4499.6. The bonds may be refunded in accordance with Article 6 of the State General Obligation Bond Law.

4499.7. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this title. The amount of the request shall not exceed the amount of the unsold bonds that the committee has, by resolution, authorized to be sold for the purpose of carrying out this title. The board shall execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this title.

4499.8. Notwithstanding any other provision of this title, or of the State General Obligation Bond Law, if the Treasurer sells bonds that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes subject to designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and for the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds that is required or desirable under federal law in order to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

4499.9. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this title are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

## Proposition 206: Text of Proposed Law

This law proposed by Senate Bill 852 (Statutes of 1996, Chapter 161) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Military and Veterans Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED LAW

SEC. 2. Article 5v (commencing with Section 998.200) is added to Chapter 6 of Division 4 of the Military and Veterans Code, to read:

#### Article 5v. Veterans' Bond Act of 1996

998.200. This article may be cited as the Veterans' Bond Act of 1996.

998.201. (a) The State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), except as otherwise provided herein, is adopted for the purpose of the issuance, sale, and repayment of, and otherwise providing with respect to, the bonds authorized to be issued by this article, and the provisions of that law are included in this article as though set out in full in this article. All references in this article to "herein" refer both to this article and that law.

(b) For purposes of the State General Obligation Bond Law, the Department of Veterans Affairs is designated the board.

998.202. As used herein, the following words have the following meanings:

(a) "Board" means the Department of Veterans Affairs.

(b) "Bond" means veterans' bond, a state general obligation bond, issued pursuant to this article adopting the provisions of the State General Obligation Bond Law.

(c) "Bond act" means this article authorizing the issuance of state general obligation bonds and adopting the State General Obligation Bond Law by reference.

(d) "Committee" means the Veterans' Finance Committee of 1943, established by Section 991.

(e) "Fund" means the Veterans' Farm and Home Building Fund of 1943, established by Section 988.

998.203. For the purpose of establishing a fund to provide farm and home aid for veterans in accordance with the Veterans' Farm and Home Purchase Act of 1974 (Article 3.1 (commencing with Section 987.50)), and of all acts amendatory thereof and supplemental thereto, the committee may create a debt or debts, liability or liabilities, of the State of California, in the aggregate amount of not more than four hundred million dollars

(\$400,000,000) exclusive of refunding bonds, in the manner provided herein.

998.204. (a) All bonds authorized by this article, when duly sold and delivered as provided herein, constitute valid and legally binding general obligations of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal and interest thereof.

(b) There shall be collected annually in the same manner and at the same time as other state revenue is collected a sum of money, in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, these bonds as provided herein, and all officers required by law to perform any duty in regard to the collection of state revenues shall collect this additional sum.

(c) On the dates on which funds are to be remitted pursuant to Section 16676 of the Government Code for the payment of debt service on the bonds in each fiscal year, there shall be transferred to the General Fund to pay the debt service all of the money in the fund, not in excess of the amount of debt service then due and payable. If the money so transferred on the remittance dates is less than the debt service then due and payable, the balance remaining unpaid shall be transferred to the General Fund out of the fund as soon as it shall become available, together with interest thereon from the remittance date until paid, at the same rate of interest as borne by the bonds, compounded semiannually. Notwithstanding any other provision of law to the contrary, this subdivision shall apply to all veterans farm and home purchase bond acts pursuant to this chapter. This subdivision does not grant any lien on the fund or the moneys therein to the holders of any bonds issued under this article. For the purposes of the subdivision, "debt service" means the principal (whether due at maturity, by redemption, or acceleration), premium, if any, or interest payable on any date with respect to any series of bonds. This subdivision shall not apply, however, in the case of any debt service that is payable from the proceeds of any refunding bonds.

998.205. There is hereby appropriated from the General Fund, for purposes of this article, a sum of money that will equal both of the following:

(a) That sum annually necessary to pay the principal of, and the interest on, the bonds issued and sold as provided herein, as that principal and interest become due and payable.

(b) That sum necessary to carry out Section 998.206, appropriated without regard to fiscal years.

998.206. For purposes of this article, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of a sum of money not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold pursuant to this

article. Any sums withdrawn shall be deposited in the fund. All money made available under this section to the board shall be returned by the board to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from the sale of bonds for the purpose of carrying out this article.

998.207. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this article. The amount of the request shall not exceed the amount of unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this article. The board shall execute whatever documents are required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this article.

998.208. Upon request of the board, supported by a statement of its plans and projects approved by the Governor, the committee shall determine whether to issue any bonds authorized under this article in order to carry out the board's plans and projects, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out these plans and projects progressively, and it is not necessary that all the bonds be issued or sold at any one time.

998.209. So long as any bonds authorized under this article are outstanding, the Director of Veterans Affairs shall, at the close of each fiscal year, require a survey of the financial condition of the Division of Farm and Home Purchases, together with a projection of the division's operations, to be made by an independent public accountant of recognized standing. The results of each survey and projection shall be reported in writing by the public accountant to the Director of Veterans Affairs, the California Veterans Board, and the committee.

The Division of Farm and Home Purchases shall reimburse the public accountant for these services out of any money which the division may have available on deposit with the Treasurer.

998.210. The committee may authorize the Treasurer to sell all or any part of the bonds authorized by this article at the time or times established by the Treasurer.

Whenever the committee deems it necessary for an effective sale of the bonds, the committee may authorize the Treasurer to sell any issue of bonds at less than their par value,

notwithstanding Section 16754 of the Government Code. However, the discount on the bonds shall not exceed 3 percent of the par value thereof.

998.211. Out of the first money realized from the sale of bonds as provided herein, there shall be redeposited in the General Obligation Bond Expense Revolving Fund, established by Section 16724.5 of the Government Code, the amount of all expenditures made for 1 purposes specified in that section, and this money may be used for the same purpose a, repaid in the same manner whenever additional bond sales are made.

998.212. Any bonds issued and sold pursuant to this article may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 2 of Title 2 of the Government Code. The approval of the voters for the issuance of bonds under this article includes approval for the issuance of bonds issued to refund bonds originally issued or any previously issued refunding bonds.

998.213. Notwithstanding any provision of the bond act, if the Treasurer sells bonds under this article for which bond counsel has issued an opinion to the effect that the interest on the bonds is excludable from gross income for purposes of federal income tax, subject to any conditions which may be designated, the Treasurer may establish separate accounts for the investment of bond proceeds and for the earnings on those proceeds, and may use those proceeds or earnings to pay any rebate, penalty, or other payment required by federal law or take any other action with respect to the investment and use of bond proceeds required or permitted under federal law necessary to maintain the tax-exempt status of the bonds or to obtain any other advantage under federal law on behalf of the funds of this state.

998.214. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this article are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by Article XIII B.

998.215. Notwithstanding any other provision of law, any bonds issued and sold under the Veterans Bond Act of 1974, the Veterans Bond Act of 1976, the Veterans Bond Act of 1978, the Veterans Bond Act of 1980 or the Veterans Bond Act of 1986 may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, without regard to the first sentence of Section 16786 of the Government Code.

## Proposition 207: Text of Proposed Law

This initiative measure is submitted to the people in accordance with the provisions of Article II, Section 8 of the Constitution.

This initiative measure amends and adds sections to various codes; therefore, existing provisions proposed to be deleted are printed in **strikeout type** and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED LAW

#### FRIVOLOUS LAWSUIT LIMITATION ACT

##### SECTION 1. TITLE

This initiative shall be known and may be cited as the "F frivolous Lawsuit Limitation Act."

##### SECTION 2. FINDINGS AND DECLARATIONS

The People of the State of California find and declare:

(a) Frivolous lawsuits and frivolous defenses clog our courts, cost taxpayers money, and delay the legal process.

(b) Lawyers who file frivolous lawsuits or frivolous defenses violate their ethical obligations as officers of the court and should be punished.

(c) Lawyers who file frivolous lawsuits or defenses should not be paid.

(d) Injured people who have legitimate legal claims have the same right to contract freely with the attorney of their choice as do corporations and wealthy individuals.

(e) People with legitimate claims need to be protected against some attorneys who are able to manipulate the system so that they collect enormous fees for almost no work.

(f) The most effective way to preserve the rights of consumers, corporations, and small businesses to contract freely while at the same time protecting them from unscrupulous attorneys is to allow clients to ask the courts to decide whether an attorney's fee is excessive.

THEREFORE, THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

##### SECTION 3. SANCTIONS AND DISCIPLINE FOR FRIVOLOUS LAWSUITS AND FRIVOLOUS DEFENSES

Section 6089.5 is added to the Business and Professions Code, to read:

6089.5. (a) If, after using the notice and procedures contained in Section 128.7 of the Code of Civil Procedure, a court determines that an attorney or law firm has filed a frivolous lawsuit or a frivolous answer or other responsive pleading to a lawsuit, the court shall impose appropriate sanctions upon the attorney or law firm.

(b) (1) For purposes of this section, a frivolous lawsuit or frivolous answer or other responsive pleading to a lawsuit is one that is either (A) totally and completely without merit, or (B) filed for the sole purpose of harassing an opposing party.

(2) For purposes of this section, an appropriate sanction is one that is sufficient to deter repetition of this conduct or comparable conduct by others similarly situated.

(c) No attorney against whom sanctions have been imposed pursuant to subdivision (a) shall collect or retain any fee for services performed in connection with a lawsuit in which the court has imposed sanctions under this section and a final judgment has been entered and all appeals have been exhausted, unless the attorney can demonstrate that he or she has been misled by the misrepresentation or mistake of the client with regard to one or more facts material to the case.

(d) After a final judgment has been entered and all appeals have been exhausted, a court that has imposed sanctions upon an attorney or law firm pursuant to subdivision (a) shall notify the State Bar. The notification shall include the sanctions order, any written findings related thereto, including the name or names of the attorneys involved, and those portions of the record relevant to the order. The attorney or law firm against whom sanctions have been

imposed shall reimburse the court for all expenses incurred in reporting to the State Bar pursuant to this section.

(e) Upon notification from the court that sanctions have been imposed and the matter has been referred to the State Bar, the attorney and his or her law firm shall immediately notify the client or clients in writing that sanctions have been imposed for the attorney's conduct of the case.

(f) If the State Bar determines that it has received three notifications of sanctions again, the same attorney pursuant to subdivision (a) within the past five years, after considering all relevant circumstances, the State Bar shall recommend appropriate discipline, including, but not limited to, suspension or disbarment, to the Supreme Court.

(g) Reprimands and other disciplinary measures taken by the State Bar pursuant to this section shall be a matter of public record.

Code of Civil Procedure Section 128.7 is amended as follows:

128.7. (a) Every pleading, petition, written notice of motion, or other similar paper shall be signed by at least one attorney of record in the attorney's individual name, or, if the party is not represented by an attorney, shall be signed by the party. Each paper shall state the signer's address and telephone number, if any. Except when otherwise provided by law, pleadings need not be verified or accompanied by affidavit. An unsigned paper shall be stricken unless omission of the signature is corrected promptly after being called to the attention of the attorney or party.

(b) By presenting to the court, whether by signing, filing, submitting, or later advocating, a pleading, petition, written notice of motion, or other similar paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances, all of the following conditions are met:

(1) It is not being presented primarily for an improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.

(2) The claims, defenses, and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law.

(3) The allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery.

(4) The denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on a lack of information or belief.

(c) If, after notice and a reasonable opportunity to respond, the court determines that subdivision (b) has been violated, the court may, subject to the conditions stated below, impose an appropriate sanction upon the attorneys, law firms, or parties that have violated subdivision (b) or are responsible for the violation. In determining what sanctions, if any, should be ordered, the court shall consider whether a party seeking sanctions has exercised due diligence.

(1) A motion for sanctions under this section shall be made separately from other motions or requests and shall describe the specific conduct alleged to violate subdivision (b). Notice of motion shall be served as provided in Section 1010, but shall not be filed with or presented to the court unless, within 30 days after service of the motion, or such other period as the court may prescribe, the challenged paper, claim, defense, contention, allegation, or denial is withdrawn or appropriately corrected. If warranted, the court may award to the party prevailing on the motion the reasonable expenses and attorney's fees incurred in presenting or opposing the motion. Absent exceptional circumstances, a law firm shall be held jointly responsible for violations committed by its partners, associates, and employees.

(2) On its own motion, the court may enter an order describing the specific conduct that